

**Delta Community Action Association, Inc.
Tallulah, Louisiana**

Financial Statements

**As of and for the Years Ended June 30, 2007 and 2008
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/6/08

Delta Community Action Association, Inc.
Tallulah, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
Combining Schedules:	
Combining Schedule of Financial Position	11
Combining Schedule of Activities	12
Supplemental Information Schedules Prepared For Grants and Contracts Analysis	
Head Start Program Grant Award 06CH0393/16 For the Contract Period: July 1, 2006 to June 30, 2007	14
Child and Adult Care Food Program For the Contract Period: October 1, 2005 to September 30, 2006	15
Delta Recovery Center Contract DOA No. 351-701750 For the Contract Period: July 1, 2006 to June 30, 2007	16
Schedule of Expenditures of Federal Awards	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	18 – 19
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	20 – 21
Summary Schedule of Prior Audit Findings	22
Schedule of Findings and Questioned Costs	22 – 25
Schedule of Prior Audit Findings for Louisiana Legislative Auditor	26
Schedule of Current Audit Findings for Louisiana Legislative Auditor	27

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Independent Auditors' Report

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

We have audited the accompanying statements of financial position of Delta Community Action Association, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Delta Community Action Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Community Action Association, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2007, on our consideration of Delta Community Action Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Delta Community Action Association, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental combining schedules on pages 11 and 12 are presented for the purpose of additional analysis and are not a required part of the financial statements of Delta Community Action Association, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules Prepared For Grants and Contracts Analysis" in the table of contents, and shown on pages 14 – 16, are presented for the purpose of providing various funding sources of Delta Community Action Association, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the various funding sources of Delta Community Action Association, Inc., and certain schedules are for periods other than Delta's audit year. These schedules are not presented in accordance with generally accepted accounting principles. Accordingly, these schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, they are fairly stated on the basis of accounting practices prescribed by the various funding sources.



Cook & Morehart
Certified Public Accountants
December 4, 2007

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Financial Position
June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 235,679	\$ 270,030
Grant receivables	313,875	134,624
Due from other funds	29,145	27,102
Total current assets	<u>578,699</u>	<u>431,756</u>
Property and Equipment:		
Property and equipment	1,983,386	1,812,186
Accumulated depreciation	<u>(1,075,787)</u>	<u>(967,222)</u>
Total property and equipment	<u>907,599</u>	<u>844,964</u>
Total Assets	<u>\$ 1,486,298</u>	<u>\$ 1,276,720</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 275,917	\$ 142,587
Accrued liabilities	57,600	65,549
Due to other funds	29,145	27,102
Refundable advances	<u>46,761</u>	<u>21,059</u>
Total current liabilities	<u>409,423</u>	<u>256,297</u>
Net assets:		
Unrestricted:		
Operating	147,562	155,851
Designated	21,714	19,608
Fixed assets	<u>907,599</u>	<u>844,964</u>
Total net assets	<u>1,076,875</u>	<u>1,020,423</u>
Total Liabilities and Net Assets	<u>\$ 1,486,298</u>	<u>\$ 1,276,720</u>

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Activities
For the Years Ended June 30, 2007 and 2006

	Unrestricted	
	2007	2006
Revenues and Other Support:		
Contractual revenue - grants	\$ 4,608,017	\$ 4,591,732
Miscellaneous revenues	1,065	5,760
Total revenues and other support	4,609,082	4,597,492
Expenses:		
Head Start program	2,900,891	2,764,083
Child care food program	286,298	289,228
Community services block grant	163,277	165,468
Home energy assistance	10,960	59,276
Family day care services	1,033,303	1,001,712
Delta recovery program	137,127	133,586
Migrant education	17,541	118,105
General services	3,233	2,456
Total expenses	4,552,630	4,533,894
Changes in net assets	56,452	163,598
Net assets as of beginning of year	1,020,423	856,825
Net assets as of end of year	\$ 1,076,875	\$ 1,020,423

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating activities		
Changes in net assets	\$ 56,452	\$ 163,598
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	173,104	138,304
(Increase) decrease in operating assets:		
Grant receivables	(179,251)	34,082
Increase (decrease) in operating liabilities:		
Accounts payable	133,330	(35,497)
Accrued liabilities	(7,949)	(165)
Refundable advances	25,702	(25,563)
Net cash provided by operating activities	<u>201,388</u>	<u>274,759</u>
Investing activities		
Payments for property and equipment	<u>(235,739)</u>	<u>(299,921)</u>
Net cash used in investing activities	<u>(235,739)</u>	<u>(299,921)</u>
Net increase (decrease) in cash	(34,351)	(25,162)
Cash as of beginning of year	<u>270,030</u>	<u>295,192</u>
Cash as of end of year	<u>\$ 235,679</u>	<u>\$ 270,030</u>

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Delta Community Action Association, Inc. (Delta) is a private non-profit corporation incorporated under the laws of the State of Louisiana. A Board of Directors composed of 15 members governs Delta. Delta operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in various parishes in Louisiana that Delta serves. The following programs, with their approximate percentage of total revenues indicated, are administered by Delta:

Head Start Program (63%) -- Provides comprehensive early child development for disadvantaged and handicapped preschool children and their families. Funding is provided by federal funds from the U.S. Department of Health and Human Services.

Child Care Food Program (6%) -- Provides a food service program in coordination with the Head Start Program. Funding is provided by federal funds from USDA passed through the Louisiana Department of Education.

Community Services Block Grant (4%) -- Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Home Energy Assistance (1%) -- Assists low income households to offset the burden of high energy costs. Funding is provided by federal funds passed through Louisiana Housing Finance Agency.

Family Day Care Services (22%) -- Provides a food service program for children in private nonprofit centers of approximately 174 homes. Financing is provided by federal funds passed through the Louisiana Department of Education.

Delta Recovery Program (3%) -- Provides substance abuse treatment and education for eligible participants. Funding is provided by federal funds passed through the Louisiana Department of Health and Hospitals, Division of Alcohol and Drug Abuse.

Migrant Education (1%) -- Provides assistance, such as housing, to establish or improve programs designed to meet the special educational needs of migratory children of migratory agricultural workers or migratory fishers. Funding is provided by federal funds passed through the Louisiana Department of Education.

B. Basis of Accounting

The financial statements of Delta have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

D. Income Tax Status

Delta is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Delta's tax-exempt purpose would be subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2007 and 2006.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Delta considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds there from is subject to federal regulations.

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Delta to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2007 and 2006, Delta had no significant concentrations of credit risk in relation to grant receivables.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

Delta maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 total cash balances held at financial institutions was \$477,198. Of this amount, \$253,282 was secured by FDIC, and the remaining \$223,916 was collateralized by pledge securities. At June 30, 2006 total cash balances held at financial institutions was \$671,431. Of this amount, \$267,838 was secured by FDIC, \$176,730 was collateralized by pledged securities, and the remaining \$ 226,863 was unsecured.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2007 and 2006, but received after those dates.

(4) Due To and Due From Other Funds

The following schedule represents amounts due to and due from other funds at June 30, 2007:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 29,145	\$ -
Family Day Care Home Program	-	23,045
Community Services Block Grant	-	6,100
	<u>\$ 29,145</u>	<u>\$ 29,145</u>

The following schedule represents amounts due to and due from other funds at June 30, 2006:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 25,631	\$ -
Family Day Care Home Program	-	18,000
Community Services Block Grant	-	6,800
Head Start Program	-	1,471
Program Administration	1,471	-
LIHEAP	-	831
	<u>\$ 27,102</u>	<u>\$ 27,102</u>

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2007:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Buildings	7-20 years	\$ 416,870	\$ -	\$ 416,870
Leasehold improvement	7-20 years	163,750	-	163,750
Furniture and equipment	5-10 years	368,730	749	369,479
Vehicles	5 years	1,000,149	-	1,000,149
Vehicles not in operation		33,138	-	33,138
Accumulated depreciation		<u>(1,075,038)</u>	<u>(749)</u>	<u>(1,075,786)</u>
Net investment in property and equipment		<u>\$ 907,599</u>	<u>\$ -</u>	<u>\$ 907,599</u>

Depreciation expense for the year ended June 30, 2007 was \$ 173,104.

Property and equipment consisted of the following at June 30, 2006:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Buildings	7-20 years	\$ 416,870	\$ -	\$ 416,870
Leasehold improvement	7-20 years	137,097	-	137,097
Furniture and equipment	5-10 years	410,224	749	410,973
Vehicles	5 years	814,108	-	814,108
Vehicles not in operation		33,138	-	33,138
Accumulated depreciation		<u>(966,473)</u>	<u>(749)</u>	<u>(967,222)</u>
Net investment in property and equipment		<u>\$ 844,964</u>	<u>\$ -</u>	<u>\$ 844,964</u>

Depreciation expense for the year ended June 30, 2006 was \$ 138,304.

(6) Refundable Advances

Delta records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(7) Contractual Revenue - Grants

During the years ended June 30, 2007 and 2006, Delta received contractual revenue from federal and state grants in the amount of \$4,608,017 and \$4,691,732, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2007 and 2006
(Continued)

(8) Retirement Plan

Delta participates in a tax deferred annuity plan whereby an amount equal to 5% of the salary of eligible employees is contributed to purchase annuity contracts with an insurance company. The annuities are in the employee's name upon funding. The amount contributed for the years ended June 30, 2007 and 2006 was \$40,903 and \$43,553, respectively.

(9) Accrued Liabilities

Accrued liabilities consisted of the following:

	<u>2007</u>	<u>2006</u>
Accrued leave payable	\$ 38,880	\$ 42,154
Payroll taxes payable	18,720	23,395
	<u>\$ 57,600</u>	<u>\$ 65,549</u>

(10) Leases

Delta leases certain buildings and equipment under operating leases. Rental costs on those leases for the years ended June 30, 2007 and 2006, were as follows:

	<u>2007</u>	<u>2006</u>
Buildings	\$ 52,700	\$ 52,700
Equipment	28,566	33,373
	<u>\$ 81,266</u>	<u>\$ 86,073</u>

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2008	\$ 43,157
2009	22,845
2010	16,801
2011	6,000
2012	1,000
Total minimum future rentals	<u>\$ 89,738</u>

Delta Community Action Association, Inc.
Tallulah, Louisiana
Combining Schedule of Financial Position
June 30, 2007

Assets	Head Start Program	Child Care Food Program	Community Services Block Grant	Home Energy Assistance	Family Day Care Services	Delta Recovery Program	Migrant Education	General Services	Total
Current assets:									
Cash	\$ 203,071	\$ 22,887	\$ 16,162	\$ 32,188	\$ 6,349	\$ 30,751	\$ 3,530	\$ 123,812	\$ 235,679
Grant receivables			2,568		105,014			3,222	313,875
Due from other funds								29,145	29,145
Total current assets	<u>203,071</u>	<u>22,887</u>	<u>18,730</u>	<u>32,188</u>	<u>111,363</u>	<u>30,751</u>	<u>3,530</u>	<u>156,179</u>	<u>578,699</u>
Property and equipment:									
Property and equipment	1,959,740		17,142		1,252	4,154	1,098		1,983,386
Accumulated depreciation	(1,052,952)		(17,142)		(459)	(4,154)	(1,080)		(1,075,787)
Total property & equipment	<u>906,788</u>				<u>793</u>		<u>18</u>		<u>907,599</u>
Total Assets	<u>\$ 1,109,859</u>	<u>\$ 22,887</u>	<u>\$ 18,730</u>	<u>\$ 32,188</u>	<u>\$ 112,156</u>	<u>\$ 30,751</u>	<u>\$ 3,548</u>	<u>\$ 156,179</u>	<u>\$ 1,486,298</u>
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 181,157	\$ 346	\$ 1,591	\$ 21	\$ 86,984	\$ 4,548	\$ 395	\$ 1,875	\$ 275,917
Accrued liabilities	21,914	827	11,039		2,334	2,142		19,344	57,600
Due to other funds			6,100		23,045				29,145
Refundable advances				31,680		11,946	3,135		46,761
Total current liabilities	<u>203,071</u>	<u>1,173</u>	<u>18,730</u>	<u>31,701</u>	<u>111,363</u>	<u>18,636</u>	<u>3,530</u>	<u>21,219</u>	<u>409,423</u>
Net assets:									
Unrestricted:									
Operating				487		12,115		134,960	147,562
Designated		21,714							21,714
Fixed assets	906,788				793		18		907,599
Total net assets	<u>906,788</u>	<u>21,714</u>		<u>487</u>	<u>793</u>	<u>12,115</u>	<u>18</u>	<u>134,960</u>	<u>1,078,875</u>
Total Liabilities and Net Assets	<u>\$ 1,109,859</u>	<u>\$ 22,887</u>	<u>\$ 18,730</u>	<u>\$ 32,188</u>	<u>\$ 112,156</u>	<u>\$ 30,751</u>	<u>\$ 3,548</u>	<u>\$ 156,179</u>	<u>\$ 1,486,298</u>

Delta Community Action Association, Inc.
Tallulah, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2007

	Head Start Program	Child Care Food Program	Community Services Block Grant	Home Energy Assistance	Family Day Care Services	Delta Recovery Program	Migrant Education	General Services	Total
Revenues and Other Support									
Contractual revenue - grants	\$2,963,996	\$288,404	\$163,277	\$ 10,960	\$1,033,053	\$131,006	\$ 17,321	\$ 1,065	\$4,608,017
Miscellaneous revenues									1,065
Total revenues	2,963,996	288,404	163,277	10,960	1,033,053	131,006	17,321	1,065	4,609,082
Expenses									
Salaries	1,471,150	126,920	113,505		105,769	85,514			1,902,858
Fringe benefits	390,564	34,551	22,068		25,859	14,077			487,119
Travel	19,232	460	4,943		6,082	7,000	423	644	38,784
Equipment	39,694		82		1,553				41,429
Occupancy	212,259	3,080	8,251		4,228	9,984			237,800
Telephone and postage	40,545		5,180		8,564	4,431	794		58,514
Insurance	44,879		536		452	2,300	20		48,187
Vehicle operation	138,380					1,344			139,724
Supplies	119,023		2,635		2,919	1,172	496		126,445
Professional services	114,024		1,500		4,317	3,965	15,586	800	140,214
Food and related supplies	92,640	121,229		9,890	6,361	1,200		1,789	213,869
Miscellaneous	45,867	58	4,377	1,070	866,851	6,120			874,041
Client assistance payments					250		220		173,104
Depreciation	172,634								
Total expenses	2,900,891	286,298	163,277	10,960	1,033,303	137,127	17,541	3,233	4,552,630
Change in net assets	63,105	2,106			(250)	(6,121)	(220)	(2,168)	56,452
Net assets, beginning of year	843,683	19,608		487	1,043	18,236	236	137,128	1,020,423
Net assets, end of year	\$ 906,788	\$ 21,714	\$	\$ 487	\$ 793	\$ 12,115	\$ 18	\$ 134,960	\$ 1,076,875

**Supplemental Information Schedules Prepared
For Grants and Contracts Analysis**

Delta Community Action Association, Inc.
Tallulah, Louisiana
Head Start Grant No. 06CH0393/16
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Contract Period: July 1, 2006 to June 30, 2007

Revenues:	Approved Budget	Actual	COB Balance Current Year
Amount awarded this budget period	\$ 2,994,519	\$ 2,994,519	
Grantee's contribution	748,630	641,950	
Total revenues	<u>3,743,149</u>	<u>3,636,469</u>	
Expenses:			
Personnel	1,675,415	1,471,150	\$ 204,265
Fringe benefits	479,419	390,564	88,855
Travel	20,000	8,594	11,406
Equipment	106,500	84,275	22,225
Supplies	70,500	119,023	(48,523)
Other	642,685	890,391	(247,706)
Head Start grant expenses	<u>2,994,519</u>	<u>2,963,997</u>	<u>\$ 30,522</u>
Grantee's share	<u>748,630</u>	<u>641,950</u>	
Total expenses	<u>\$ 3,743,149</u>	<u>3,605,947</u>	
Revenue over expenses		30,522	
Fund balance, beginning July 1, 2006		277,730	
Reprogrammed PY 15 fiscal year 6-30-06		<u>(272,660)</u>	
Fund balance, ending June 30, 2007		<u>\$ 35,592</u>	

Delta Community Action Association, Inc.
Tallulah, Louisiana
Child and Adult Care Food Program
Head Start Food Service
Louisiana Department of Education
Schedule of Revenues and Expenditures
For the Contract Period: October 1, 2005 to September 30, 2006

Revenue:

Contract revenue	<u>\$ 288,875</u>
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Expenses:

Salaries	127,580
Fringe benefit	40,473
Other administrative costs	3,698
Food service costs	<u>119,586</u>

Total expenses	<u>291,337</u>
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Excess revenue (expenses)	(2,462)
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Fund balance, beginning October 1, 2005	<u>(3,214)</u>
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Fund balance, ending September 30, 2006	<u><u>\$ (5,676)</u></u>
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Delta Community Action Association, Inc.
Tallulah, Louisiana
Delta Recovery Center
DOA Contract No. 351-701750
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Contract Period: July 1, 2006 to June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over) Under Budget</u>
Revenue:			
Contract revenue		\$ 132,623	
Total revenue		<u>132,623</u>	
Expenses:			
Salaries	\$ 86,736	85,514	\$ 1,222
Fringe benefit	15,706	14,077	1,629
Travel	7,000	7,000	-
Operating services	19,905	19,258	647
Supplies	2,223	1,171	1,052
Professional services	<u>7,856</u>	<u>3,985</u>	<u>3,871</u>
Total federal expenditures	<u>\$ 139,426</u>	<u>131,005</u>	<u>\$ 8,421</u>
DWI expenses		<u>6,121</u>	
Total expenditures		<u>137,126</u>	
Excess revenue (expenses)		(4,503)	
Fund balance, beginning July 1, 2006		<u>42,037</u>	
Fund balance, ending June 30, 2007		<u>\$ 37,534</u>	

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Head Start (Fy 06-30-07)	93.600	06CH0393/16	\$ 2,963,987
Passed through Louisiana Department of Labor Community Services Block Grant	93.569	2006N0038 & 2007N0038	152,238
Passed through Louisiana Housing Finance Agency Home Energy Assistance Program - Energy	93.568	Unknown	10,960
Passed through Louisiana Department of Health and Hospitals, Division of Alcohol and Drug Abuse Delta Recovery Center (Fy 06-30-07)	93.959	3517071750	131,005
<u>U.S. Department of Education</u>			
Passed through Louisiana Department of Education Migrant Education	84.011	Fy-06 and Fy-07	17,321
<u>U.S. Department of Agriculture</u>			
Passed through Louisiana Department of Education Child and Adult Care Food Program (Head Start) (Fy 09-30-06)	10.558	Unknown	80,841
Child and Adult Care Food Program (Head Start) (Fy 09-30-07)	10.558	Unknown	202,995
Child and Adult Care Food Program (FDCH) (Fy 09-30-06)	10.558	Unknown	255,893
Child and Adult Care Food Program (FDCH) (Fy 09-30-07)	10.558	Unknown	773,514
Total federal expenditures			\$ 4,588,764

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

We have audited the financial statements of Delta Community Action Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delta Community Action Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delta Community Action Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delta Community Action Association, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Delta Community Action Association, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Delta Community Action Association, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Delta Community Action Association, Inc.'s internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-B1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Delta Community Action Association, Inc.'s internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delta Community Action Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Delta Community Action Association's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit their response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
December 4, 2007

COOK & MOREHART

Certified Public Accountants

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

Compliance

We have audited the compliance of Delta Community Action Association, Inc. (a non-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Delta Community Action Association, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Delta Community Action Association, Inc.'s management. Our responsibility is to express an opinion on Delta Community Action Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delta Community Action Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Delta Community Action Association, Inc.'s compliance with those requirements.

As described in items 2007-C2 and 2007-C3 in the accompanying schedule of findings and questioned costs, Delta Community Action Association, Inc. did not comply with requirements regarding the Davis Bacon Act that are applicable to its Head Start program, and did not comply with requirements regarding Eligibility that are applicable to its Child and Adult Care Food Program. Compliance with such requirements is necessary, in our opinion, for Delta Community Action Association, Inc. to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Delta Community Action Association, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Delta Community Action Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Delta Community Action Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delta Community Action Association's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Delta Community Action Association's ability to administer a federal program that such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-C1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Delta Community Action Association's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Delta Community Action Association's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit their response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
December 4, 2007

Delta Community Action Association, Inc.
Tallulah, Louisiana
Summary Schedule of Prior Audit Findings
June 30, 2006

There were no findings or questioned costs for the prior audit period for the year ended June 30, 2006.

Schedule of Findings and Questioned Costs
June 30, 2007

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Delta Community Action Association, Inc.
2. One significant deficiency is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Delta Community Action Association, Inc. were disclosed during the audit.
4. One significant deficiency is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. The deficiency is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for Delta Community Action Association, Inc. expresses a qualified opinion for the Head Start (CFDA # 93.600) and Child and Adult Care Food Program (CFDA # 10.558).
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: 1) Head Start Program CFDA #93.600, and 2) Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Delta Community Action Association, Inc. does qualify as a low-risk auditee.

B. Findings – Financial Statements Audit:

2007-B1 SIGNIFICANT DEFICIENCY

Deficiency: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2007
(Continued)

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: Delta Community Action Association, Inc. agrees that it would not be cost effective or practical to institute.

C. Findings and Questioned Costs – Major Federal Award Programs Audit:

2007-C1 SIGNIFICANT DEFICIENCY

DEPARTMENT OF HEALTH AND HUMAN SERVICES – Head Start Program CFDA #93.600

Statement of Condition: During the audit, we tested the agency's compliance with the requirement that a minimum of 90 percent of the enrollees in the Head Start program must be from families whose income is below the official Federal poverty guidelines or who are receiving public assistance (ie income eligible). The results of our testing initially indicated that 11.38% of the enrollees were not determined to be income eligible. However, the agency was able to subsequently revise and correct its rosters to reflect 9.52% of the enrollees not income eligible, thus meeting the requirement that 90% of the enrollees be income eligible.

Criteria: The requirements for this regulation are found in 45 CFR section 1305.4.

Effect of Condition: Noncompliance could occur as a result of inadequate controls over the requirement that 90% of the enrollees be income eligible.

Cause: The agency did not have adequate controls in place for accurately tracking the percentage of enrollees who were income eligible to ensure compliance with the 90% requirement.

Recommendation: We recommend that the agency establish adequate controls for tracking the number of enrollees who are determined to be income eligible, to ensure compliance with the requirement that 90% are income eligible. We further recommend that supervisory personnel be assigned to review documentation of compliance with the 90% requirement on a routine basis.

Response: Delta Community Action Head Start has put into place controls to monitor income eligible enrollees on a monthly basis in order to ensure that we are in compliance with the 90% requirement.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2007
(Continued)

2007-C2 FINDING

DEPARTMENT OF HEALTH AND HUMAN SERVICES – Head Start Program CFDA #93.600

Statement of Condition: During our audit, we tested three transactions totaling approximately \$40,695 for which the Davis Bacon Act was applicable. The agency did not have documentation to substantiate its compliance with the Davis Bacon Act for those tested transactions.

Criteria: Regulations pertaining to the Davis Bacon Act are found in 2 CFR Part 215 and OMB Circular A-110.

Effect of Condition: The agency was not in compliance with the requirements of the Davis Bacon Act.

Cause: The agency did not have adequate controls in place to ensure compliance with the requirements of the Davis Bacon Act for its applicable transactions.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the Davis Bacon Act for all applicable transactions. We further recommend that the agency consult with the Department of Health and Human Services to resolve this compliance finding.

Response: Delta Community Action Head Start has established adequate controls to comply with the Davis Bacon Act for small renovation or construction over \$2,000 in the future.

2007-C3 FINDING

DEPARTMENT AGRICULTURE – Child and Adult Care Food Program (CACFP) CFDA 10.558

Statement of Condition: During our audit, we tested 25 provider files for compliance with the eligibility requirements of the Family Day Care Home program. We noted the following:

- Four files selected for testing could not be located.
- 4 additional files selected for testing did not contain all of the required documentation, including enrollment forms, monitoring reports, tiering form, and state approval.

Criteria: The rules and regulations covering eligibility and recordkeeping requirements for the FDCH program are found in Title 7 CFR Part 226.

Effect: Due to a lack of complete documentation in files examined during audit test work, some children may have been served who were ineligible for the program.

Cause: Controls were not effective to ensure the accuracy and completeness of data used to make eligibility determinations and to ensure that all required forms and supporting documentation were maintained in participant files.

Recommendation: We recommend that the agency develop a checklist to be used for each participant file to ensure that files are complete and contain all necessary information. In addition, the agency should assign someone with the responsibility for reviewing files on a continuing basis to ensure completeness of information.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2007
(Continued)

Response: At present, the four files selected for testing that we were unable to locate have been reconstructed. The four files were files of providers in Franklin parish. These files were in the possession of a monitor that died unexpectedly and the Agency was not able to recover these files. The agency has in place a checklist to be used for each provider's file to ensure that files are complete and contain all necessary information. In addition, the agency has assigned appropriate personnel with the responsibility to review files on a continuing basis to ensure completeness of information. Files will be kept in a central location.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
June 30, 2006

There were no findings or questioned costs for the prior year audit for the year ended June 30, 2006.

There were three management letter comments in the previous audit for the year ended June 30, 2006, as follows:

Comment #1 – Family Day Care Home Program File Exam

See finding in current year audit.

Comment #2 – Migrant Education Financial Reports

Program ended.

Comment #3 – Child and Adult Care Food Care Program – Head Start Applications

Improvement noted. No comment in current year audit.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2007

There are four findings for the current year audit period ended June 30, 2007, as described in the accompanying Schedule of Findings and Questioned Costs. There are no management letter comments for the current year audit period ended June 30, 2007.